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No. 80-418
IN THE

Supreme Court of the United States

October Term, 1980

UNITED BUSINESS COMMUNICATIONS, INC., a Kansas Corporation,

Petitioner,

vs.

MILGO ELECTRONIC CORPORATION, a Florida Corporation,

Respondent.

BRIEF IN OPPOSITION TO PETITION FOR WRIT OF CERTIORARI.

JACKSON, JONES & PRICE LAW CORPORATION,
Irvine Law Building, Suite 100,
17592 Irvine Boulevard,
Tustin, Calif. 92680,
(714) 832-2080,
Attorneys for Respondent.

Of Counsel:
WEEKS, THOMAS, LYSAUGHT, BINGHAM & MUSTAIN,
J. DONALD LYSAUGHT,
407 Capitol Federal Building,
Overland Park, Kansas 66207.

Parker & Son, Inc., Law Printers, Los Angeles. Phone 724-6622

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Respondent respectfully submits that no question is presented by the decision of the United States Court of Appeals for the Tenth Circuit which is worthy of review by this Court. Therefore the Writ of Certiorari should be denied.

Counter Statement of the Case.

This is an action for wilful infringement of three U.S. patents, *i.e.*, Whang 3,524,023, Ragsdale 3,590,381 and Payne 3,643,023, owned by Respondent (Milgo) which relate to the data communications field, and particularly to modems. The complaint named Petitioner United Business Communications, Inc. (UBC) and its parent, United Telecommunication, Inc. (UTI), as defendants. The infringing modems were manufactured by UBC's wholly owned subsidiary Rixon II and sold by UBC.

After a trial on the merits on the liability issue, the District Court concluded that each of the patents was valid, and that certain claims of each were infringed by the manufacture, use and sale of the accused modems. The Court also found that UTI, as the holding company, had a separate corporate existence from UBC and Rixon II, and dismissed UTI as a party defendant. However, the Court found from a detailed analysis of the evidence that Rixon II was a mere instrumentality of UBC, or at least an agent under UBC's direction. Of significance on the petition, the District Court also found that UBC directly infringed the patents by selling infringing modems and by actively inducing infringement by Rixon II.

The District Court, after a subsequent trial on the damage issue, concluded that the infringement was flagrant and wilful, and that the case was exceptional. As a result, the District Court granted an injunction and awarded damages, attorney's fees and taxable costs in the amount of $2,340,726.23. The Tenth Circuit affirmed the District Court's decisions.[1]

UBC's petition is based largely on the argument that the Tenth Circuit misapplied the "clearly erroneous" rule, F.R.Civ.P. Rule 52(a), in its evaluation of issues of patent validity and mere instrumentality (alter ego). In so arguing, UBC is forced to totally mischaracterize the opinion of the Tenth Circuit, as well as those of other circuits with which it alleges there is conflict. Specifically, on the issue of patent validity, the Tenth Circuit applied the clearly erroneous rule

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[1]The Findings of Fact and Conclusions of Law with respect to the liability trial and damage trial, as well as the Tenth Circuit's opinion, are set forth in the Appendix, pages A1-A173 to the Petition and are referred to hereafter by page references in parentheses. References to Petitioner's argument are cited as "P.Br." followed by the appropriate page number.

only to the District Court's findings of fact, and not, as UBC alleges, to the District Court's ultimate conclusion of patent validity or obviousness under 35 U.S.C. Section 103 Second, the Tenth Circuit's application of the clearly erroneous rule to the District Court's alter ego determination was entirely proper and in accord with the method of review applied by the other circuit courts of appeal.

Of the three patents held valid below, UBC contests the Tenth Circuit's holding of validity only as to the Whang '023 patent. All of the modems held to infringe this patent were also held to infringe the other patents in suit whose validity is not challenged by UBC's petition.

Below, witnesses testified that the Whang '023 invention resulted in a significant advance in the art. Milgo's 4400/24 which incorporated the Whang invention operated at 2400 bits per second (bps) over the switched voice grade telephone network.[2] The Whang '023 invention also allowed

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[2]At Page 8, footnote 5 Petitioner brings up additional litigation involving the Whang '023 as well the other Milgo patents in suit. During this other litigation it has been shown that the first two production prototype 2247 modems delivered to Western Union in the Spring of 1967 incorporated the Whang '023 invention but, subsequent changes in the filters caused the signal spectrum to be broader than that called for in the Whang '023 patent. Therefore, the 2400 bps production run (about 175 in number) delivered to Western Union did not incorporate the Whang '023 invention, whereas production runs of 4800 bps modems for Western Union did incorporate the Whang '023 invention. The early Milgo 4400/24 modems also incorporated the Whang '023 invention. It was this model that Western Union tested against the competing modems prior to November or December of 1966 as testified to by Mr. Spilling.

All of the 4800 bps (and 9600 bps) phase or phase and amplitude modulated modems delivered by Milgo (and others) incorporate the Whang '023 invention. These higher speed modems have accounted for hundreds of millions of dollars in sales by Milgo and its competitors.

(footnote continued on following page)

the first practical operation at 4800 bps over poor grade leased lines, more than twice as fast as any prior art device. Before the Tenth Circuit, UBC did not dispute these facts or show any conceivable basis for error in Senior Judge Templar's Findings (24, 25, 26, 38, *inter alia;* A71-76) about these unexpected results. The need for the patented invention was exemplified by Western Union's search as set forth in Finding 19 (A69). The failure of the Bell System, Rixon, Western Union and others to fill the need for the devices which resulted from Whang's invention was also apparent (See Finding 16, A69). Regarding the negative teachings of the prior art, the District Court found that the writings in the field, such as Bennett and Davey, would have discouraged the search for the Whang '023 invention (Finding 60, A88-89) and that "the Whang approach represented a new and novel conceptual theory that went against the state of the then existing modern art" (Findings 33, A74). In view of the above findings, as well as many others, the Tenth Circuit held the Whang patent to be not only valid, but a breakthrough in the art.

With regard to the magnitude of the commercial success, Sang Whang testified at the liability trial that the 24 LSI and 20 LSI modems also used his invention. During the development stage of the 24 LSI modem the composite filter was designed with the patented narrow energy spectrum. Mr. Whang has subsequently ascertained that later production development of the 24 and 20 LSI which was left to other engineers resulted in the use of a wider energy spectrum in the production of these modems than that called for in the Whang '023 patent. Both of these modems, however, utilized the Payne '023 and Ragsdale '381 inventions in suit. The total sales of the 24 and 20 LSI modems through 1975 was about 16 million dollars.

The UBC 2400 bps modem (DS 2400) was not accused of infringing the Whang '023 patent.

The pioneer nature of the Whang '023 patent cannot be altered by the fact that the DS 2400, 24 LSI, 20 LSI and other slower speed modems (2400 bps and lower) have been able to operate satisfactorily without the use of the invention.

Before the Tenth Circuit, UBC relied on seven prior art references in its attempt to meet its burden of proof of invalidity of Whang '023. Findings 56-59 (A86-A88) detail the myriad of prior art UBC relied on before the District Court. Thus, UBC urged the Tenth Circuit and the District Court to pick and choose from among a plethora of references to reconstruct the Whang '023 invention with obvious aid of hindsight. Now UBC mentions to this Court only one of these seven references, the Bennett and Davey article, as if it were dispositive when in fact this article teaches away from the Whang '023 invention as was discussed by the experts during the trial.

UBC also argued below that it should not be charged for wilful infringement with respect to certain modems. This argument was based on a misunderstanding by UBC of what constitutes "wilfulness". UBC failed to appreciate that "wilfulness" is a question of intent. The facts of intentional copying of Milgo's inventions by Rixon II and UBC's direction that Rixon II not seek a license from Milgo, as well as other facts, demonstrated that UBC knowingly engaged in infringement with total disregard of any and all of Milgo's patent rights. UBC now argues the Tenth Circuit failed to consider its argument below, but, as will be shown, this contention is untrue.

Finally, before the Tenth Circuit, UBC argued that the District Court had awarded "pre-patent" damages to Milgo on certain leases which began outside of the infringement period but which continued into that period. UBC cites no support in the record for this claim (See P.Br. 6-7, 22).

Moreover, the findings (A148, 149) show the District Court awarded damages only for a period following the institution of suit and issuance of the patents. The Whang '023 patent issued August 11, 1970; the Ragsdale '381 on June 29, 1971; and the Payne '023 on February 15, 1972.

No damages were awarded on Ragsdale '381 or Whang '023 until after suit was filed and after the patents had issued. No damages were awarded on Payne '023 until July 1972, also well after filing of suit and issuance of the patent. The damage decision below was complicated by the infringer's failure to keep proper records of several hundred infringing units (Findings 46, 47; A146-147) and was found to be conservative by the Tenth Circuit (A36). UBC now essentially tries to dispute the facts and numbers found by the District Court without any evidence to back up its argument.

Summary of Reasons for Denying the Petition.

This Court should not grant certiorari to review the standard applied by the Tenth Circuit Court of Appeals in reviewing the District Court's patent validity determination when that standard was entirely in conformance with the law as set forth by this Court. Neither should the Court grant certiorari to review a patent validity decision based on detailed findings which demonstrated to both the District and Appellate Courts that the patent in question represented a technological breakthrough in the art. UBC's contentions as to validity of the Whang '023 patent totally contradict its position below and the facts found by the District Court. Moreover, consideration by this Court of the validity of the Whang '023 patent would not affect the result below because the equipment held to infringe that patent was held to infringe other patents not at issue on the petition.

Furthermore, this Court should not grant certiorari to review the Tenth Circuit's application of the clearly erroneous standard to the District Court's finding of alter ego or agency. That application was entirely in conformance with the standards applied by the other circuit courts of appeal, contrary to UBC's argument. Moreover, UBC was held liable below for selling infringing equipment and in-

ducing infringement. Whether or not it is the alter ego of the manufacturer of the infringing goods is a moot point as far as the petition is concerned.

This Court should not grant certiorari to review the findings below as to the intent of UBC to wilfully infringe the patents and as to the amount of damages awarded to Milgo for infringement. These determinations are findings of fact by the District Court resolved against UBC and affirmed by the Tenth Circuit. UBC's disputes on these issues are strictly factual. Milgo submits this Court is no place to reconduct an accounting proceeding.

REASONS FOR DENYING THE PETITION.

I.

There Is No Reason to Review the Tenth Circuit's Affirmance of the Validity of the Patents in Suit.

A. The Tenth Circuit Correctly Followed the Law in Reviewing the District Court's Conclusion That the Patents in Suit Were Unobvious.

UBC contends that the Tenth Circuit improperly reviewed the District Court's decision because it failed to treat the ultimate determination of obviousness of the patents in suit as one of law, rather than fact. A brief review of the Tenth Circuit's decision shows that it correctly applied this Court's decision in *Graham v. John Deere & Co.*, 383 U.S. 1, 17 (1966), in reviewing the issue of obviousness. In *Graham*, this Court held that obviousness under Section 103 is to be resolved by making several basic factual inquiries, 383 U.S. 1 at 17:

> While the ultimate question of patent validity is one of law, . . . the Section 103 condition, which is but one of three conditions, each of which must be satisfied, lends itself to several basic factual inquiries. Under Section 103, the scope and content of the prior art are to be determined; differences between the prior art and the claims at issue are to be ascertained; and the level of ordinary skill in the pertinent art resolved. Against this background, the obviousness or nonobviousness of the subject matter is determined. Such secondary considerations as commercial success, long felt but unsolved needs, failure of others, etc., might be utilized to give light to the circumstances surrounding the origin of the subject matter sought to be patented. As indicia of obviousness or nonobviousness, these inquiries may have relevancy.

In its opinion, the Tenth Circuit first set forth the basic premise that "[T]he ultimate determination of patent validity is, of course, one of law"(A12). The Tenth Circuit then correctly stated its role in review of the factual determinations entrusted to the trial court by *Graham* (A13):

> Obviousness must be determined by considering the scope and content of the prior art, the differences between the prior art and claims at issue, and the level of ordinary skill in the pertinent art. *Tanks, Inc. v. Reiter Industries, Inc.*, 545 F.2d 1276 (10th Cir. 1976) citing to *Graham v. John Deere Co., supra*. Obviousness requires factual determinations which are entitled to the usual respect accorded determinations of fact, and, as such, an appellate court is bound by the trial court's findings on obviousness unless they are determined to be clearly erroneous. *Rutter v. Williams*, 541 F.2d 878 (10th Cir. 1976); *CMI Corporation v. Metropolitan Enterprises, Inc., supra*.

Recognizing that the District Court had to rely on expert testimony in one of the most technologically complex fields known and had weighed the credibility of various experts (A63-64), the Tenth Circuit rightly observed:

> We are not a trial court and a case such as the one at bar cannot be tried de novo on appeal.

The Tenth Circuit then summarized its agreement with the District Court's findings on the differences over the prior art, level of skill in the art, and other factual considerations (A14-A15):

> The Court found, and we agree, that the Whang '023's utilization of differential eight phase modulation of a single carrier and narrow bandwidth filtering was contrary to the prior art; that Whang was the first to employ narrow band limiting in a phase modulated system; that modems incorporating the Whang '023 were the first commercially acceptable modems ca-

pable of transmitting 2400 bps over ordinary switched voice-grade telephone lines; that prior to the Whang '023 the modem industry felt the best results could be achieved by modems incorporating "wide band energy spectrum and two or four level modulation"; that Whang approached the problem with a completely opposite philosophy and was the first to combine eight level modulation and extreme band limiting into one modem.

The validity of the Whang '023 is also reinforced when we consider the "secondary considerations, such as commercial success" mandated by *Graham v. John Deere, supra*. It is uncontested that Western Union looked upon the Whang '023 as a tremendous breakthrough which satisfied a long felt need. It is also uncontested that the modems were instantly successful and that they were the primary source of commercially acceptable high speed modems until the infringing modems were marketed.

After reviewing such findings, the Tenth Circuit reiterated its ultimate holding of law (A15):

> We hold that the trial court properly found that Whang '023 was unobvious, and therefore valid.

Thus, the Tenth Circuit followed the precise analysis prescribed by *Graham*; it considered the basic factual determinations required and reached a conclusion of unobviousness based upon them.

Contrary to UBC's contention, the Tenth Circuit did not treat the ultimate conclusion of obviousness as one of fact subject to a clearly erroneous test. UBC apparently relies on the Tenth Circuit's use of the word "finding" in the following sentence, which precedes the Court's statement of its agreement with findings of the District Court:

> ". . . we hold that the Court did not err in finding that the Whang '023 was not obvious." (A14)

UBC's argument is one of semantics. It is wholly inconsistent with the Tenth Circuit's statement that the question of patent validity is one of law (A12). It further ignores that the Tenth Circuit stated its "holding" that the District Court "did not err." The use of the word "*holding*" by the Court of Appeals clearly shows that it is stating its *conclusion of law*. The Tenth Circuit nowhere cites Rule 52(a) or states that it is applying the clearly erroneous test to its holding of patent validity.

As may be seen from the foregoing discussion, UBC's position fails to give a fair reading to the Tenth Circuit's opinion. UBC relies rather on quoting out of context and upon the illogical bootstrap argument that a later-decided case from the Tenth Circuit, *Norfin, Inc. v. International Business Machines Corporation*, No. 78-1620 (10th Cir., filed July 7, 1980) justifies a writ of certiorari in this case. UBC's argument appears even more hollow when it is considered that three cases relied on below by the Tenth Circuit explicitly state that the ultimate determination of obviousness is one of law. *Rutter v. Williams*, 541 F.2d 878, 881 (10th Cir. 1976); *CMI Corp. v. Metropolitan Enterprises*, 534 F.2d 874, 880 (10th Cir. 1976); *Tanks, Inc. v. Reiter Industries*, 545 F.2d 1276, 1279 (10th Cir. 1976). Not one case relied upon by the Tenth Circuit in its opinion below holds to the contrary. UBC's petition should be denied.

B. There Is No Cause to Review the Validity of the Whang '023 Patent.

The Tenth Circuit's opinion, as quoted *supra*, demonstrates that the Whang '023 patent was highly unobvious even to those who had a rampant desire to imitate it.[3] It was considered a technological breakthrough by those in the art.

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[3]As the Tenth Circuit stated: "Query: If the Whang '023 was as obvious as UBC now contends, why did it require two years for the Rixon employees to analyze and copy it? (A15)

In its petition, UBC conveniently overlooks the fact that it relied on over seven prior art references before the Circuit Court to attack the Whang invention. UBC also neglects to tell this Court that the Whang invention claims involve much more than eight phase modulation and "1/T filtering" (See Claim 19, A77-78). The Whang patent covers an entirely new modem concept.

UBC bases its argument for review of validity of the Whang '023 patent on factual assertions which were rejected by the District Court and the Tenth Circuit. For example, UBC mischaracterizes the Whang patent claims and invention by stating that they deal with a "1/T filter." The true language of Claim 25 quoted in the following finding of the District Court (A95), illustrates UBC's attempt at oversimplification and obfuscation:

> 72. The Whang '023 patent, in the last means clause of claim 25 states:
>
> "filter means connected in the signal transmission link between said modulating and demodulating means, the filter means being characterized as having a passband width of about 1/T Hz, and having a center frequency of fo; where:
>
> T is the modulation period,
>
> f_o is the carrier signal frequency, and
>
> H_z is cycles per second."
>
> Claim 19 includes a similar filter means clause . . .

In Findings 73 and 75 the District Court found that:

> 73. Sang Whang wrote most of his own patent specification (R.2361) without the benefit of some of the existing textbooks, such as Bennett & Davey (DX J-1) (R.2307). Whang defined the term used in his claims "passband width" of a filter in a manner different from conventional definitions for filters as they appear in the textbook. . . .

* * *

> 75. The term passband width of about 1/T Hz as used in the Whang '023 patent defines a filter which passes signals having frequencies within the passband of 1/T Hz, i.e., 800 or 1600 Hz, and rejects within a few percent all signals having frequencies more than 25% of the passband, *i.e.*, 800 to 1000 Hz and 1600 to 2000 Hz (R.2317-2319).(A95 and 96)

In so finding, the District Court recognized the time-honored rule of law that an inventor may be his own lexicographer (A59) and that ". . . the claims of a patent are to be construed in light of the specifications and both are to be read with a view toward ascertaining the invention." *United States v. Adams*, 383 U.S. 39, 49 (1966).

Bennett & Davey further note that they consider 100% roll-off (wide band energy spectrum) to be an optimum filter characteristic for phase modulated systems, contrary to the teachings of the Whang patent (See Finding 61, A89-90). UBC contended below that "optimum" could be anything from 0 to 100%, a proposition which defies common sense and which the Courts below rejected.

As may be seen, UBC's factual argument as to the meaning of the expression "1/T" as used in the Whang '023 claims and the disclosure in Bennett & Davey is irreconcilable with the facts found by the District Court and affirmed on appeal.

On the law, it may be seen that the Courts below merely construed the claims in light of the specification as required by this Court, *U.S. v. Adams, supra* and determined that the claimed subject matter was not taught in the prior art. There Is No cause for this Court to review that decision.

II.

There Is No Reason to Grant Certiorari to Review the Decision Below on the "Alter Ego" Issue.

A. A Review of the Alter Ego Issue Will Not Affect the Result Below.

In its alter ego argument, UBC first misrepresents that the judgment against it was based solely on the finding that Rixon II, the manufacturer of the infringing goods was the mere instrumentality, alter ego or agent of UBC (P.Br. p. 7). The facts are that, until January 2, 1972, UBC actually sold infringing goods and thereafter actively induced the infringement of the products manufactured by its wholly owned subsidiary Rixon II (Conclusion #13, A108). Thus, UBC is liable for all damages whether or not Rixon II was its alter ego. 35 U.S.C. Section 271(a), (b).

B. There Is No Disagreement Among the Circuits on the Applicable Standards of Review of "Alter Ego" Determinations.

UBC contended below that there was no evidence to support the District Court's alter ego finding (A21). UBC did not contend then, as it now does, that the District Court had applied an incorrect legal standard. Contrary to UBC's statements, the Tenth Circuit fully and independently reviewed the record below in answer to UBC's contention and found considerable evidence to support the alter ego finding (A23). After review of the facts, the Court concluded that the District Court's finding was not clearly erroneous. Contrary to UBC's position, the Second, Fifth and Ninth Circuits do not disagree with the Tenth Circuit's approach in reviewing the alter ego determination. UBC's authorities simply do not support its position. Rather, decisions of these other circuits which consider the issue are clearly in accord with the Tenth Circuit in treating an alter ego conclusion as one fact, subject to the clearly erroneous rule.

For example, in *George W. Bennett Bryson & Co., Ltd. v. Norton Lilly & Co., Inc.*, 498 F.2d 328, 329 (5th Cir. 1974), the Fifth Circuit affirmed an alter ego determination on the same basis as the Tenth Circuit in this case:

> Second, Norton Lilly argues that the record does not contain any evidence to justify *disregarding the corporate entities*. The district court found that, following the acquisition of Sea Way, Norton Lilly was acting as the de facto charterer and operator of certain motor vessels owned by Sea Way for which the goods and services had been supplied and became obligated for these supplies and services. A careful review of the record reveals that this conclusion is amply supported by the evidence.
>
> *The district court's findings of fact are not clearly erroneous, Fed.R. Civ.P. 52(a); nor were they induced by an erroneous view of the law.* (emphasis added)
>
> Accord: *Delchamps, Inc. v. Borkin*, 429 F.2d 417, 418 (5th Cir. 1970).

The Fifth Circuit case cited by UBC, *Bendix Home Systems, Inc. v. Hurston Enterprises, Inc., et al.*, 566 F.2d 1039 (5th Cir. 1978) is not to the contrary, standing only for the proposition that where one adduces no evidence to meet his burden of proof on alter ego, he must lose as a matter of law. Thus, no question of the clearly erroneous rule arose.

The Ninth Circuit case of *Bateman v. United States*, 490 F.2d 549, 553 (9th Cir. 1973) is also in accord with the Tenth Circuit and shows the fallacy of UBC's argument. There the Court stated unequivocally at 553:

> The government contends that GAI was a sham. This is a very close question and were we a trial court, we

> would have been more sympathetic to the government's view. However, we may not substitute our judgment for that of the court below. The question whether a corporation is genuine or a sham is one of fact. *Noonan v. C.I.R.*, 451 F.2d 992, 993 (9th Cir. 1971), *Shaw Construction Company v. C.I.R.*, 323 F.2d 316, 321 (9th Cir. 1963), and we are limited here by the "clearly erroneous" rule.

Again the authority relied upon by UBC, *Edwin K. Williams & Co. v. Edwin K. Williams & Co.-East*, 542 F.2d 1053 (9th Cir. 1976), *cert. denied* 433 U.S. 908 (1977), is not to the contrary but rather is consistent with the view that the court of appeals may conclude that the district court's findings were induced by an incorrect view of the law. *George W. Bennett Bryson & Co., Ltd. v. Norton Lilly, supra*. Here the law applied by the District Court was correct.

In *In re Beck Industries, Inc.*, 479 F.2d 410, 417 (2d Cir. 1973), *cert. denied* 414 U.S. 858 (1973), the Second Circuit, in accord with the Tenth Circuit, applied the "clearly erroneous" test to a conclusion that a subsidiary was an "adjunct or instrumentality of the parent." In the older case relied on by UBC, *Hollander v. Henry*, 186 F.2d 582 (2d Cir. 1951), *cert. denied* 341 U.S. 949 (1951), the Court gave no indication as to whether or not it was following a "clearly erroneous" test.

Finally, the Third Circuit case cited by UBC, *Joseph Lupowitz Sons, Inc. v. C.I.R.*, 497 F.2d 862 (3d Cir. 1974), involved the Tax Court's decision as to whether certain transactions between corporations more closely resembled capital than debt. This case demonstrates no conflict with the Tenth Circuit's decision because it deals neither with alter ego or Rule 52(a). In fact, the Tax Court is not under

the purview of Rule 52(a), which according to Rule 1, F.R.Civ.P. applies only to federal district courts.

UBC's argument that there is a conflict among the circuits concerning review of alter ego findings is without merit.

III.

There Is No Reason to Review the Findings Below on Damages or Wilful Infringement.

UBC misrepresents the facts in an attempt to support its petition as to issues of the amount of damages and wilful infringement. A review of the findings below confirms that the findings of the District Court on these issues were properly upheld by the Tenth Circuit.

On the issue of the amount of damages, UBC incorrectly states that "the Tenth Circuit affirmed the award . . . for pre-accounting and even pre-patent transactions" (P.Br. 22). UBC also alleges, without any citation to the findings below, that the District Court awarded Milgo damages on 265 leases which originated outside of the appropriate accounting period and continued into that period. A brief review of findings of fact 51 and 52 (A148-149) demonstrate the nature of UBC's mischaracterization of the facts.[4]

As Finding 51 indicates, damages for infringement of the Payne '023 patent by 2400 bps modems were awarded

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[4]51. From the evidence, in calculating the damages caused by the infringing 2400 bps modems of which there were 338 *from and after the date of July 28, 1972*, when the existence of the patent and knowledge of the infringement became known with certainty to defendant, the lost profit of plaintiff on each unit was $710.00, making a total of $239,980.00. (Emphasis added)

52. From the evidence, in calculating the damages caused by infringing 4800 modems, 178 of these infringing modems were leased or sold by defendants *from and after July 19, 1971*, the date the original suit was filed relating to the Whang '023 patent of 4800 modems. The lost profit per unit on the infringing modems in the amount of $2,146.00 each, equals $381,988.00. (Emphasis added)

"from and after July 28, 1972." This was well after issuance of the patent on February 15, 1972 and the filing of suit on July 19, 1971. Finding 52 indicates damages were awarded from the date of suit on 4800 bps devices, well after issuance of the Whang '023 patent on August 11, 1970.

Assuming *arguendo* that the Trial Court awarded Milgo lost profits on leases which originated during the Court's infringement period and continued into the Court's damage period, such an award would not have been improper. Obviously, but for UBC's wilful infringement, Milgo would have obtained such leases in all reasonable probability because the only substitute for the infringing equipment was Milgo's. (See A34)

The District Court also found that UBC had failed to account for over 200 missing serial numbers of infringing devices (A146-447). The District Court was entitled to resolve all doubts occasioned by such missing records against UBC, leaving UBC with no basis for challenging the damage award. *American Sterilizer Co. v. Sybron Corp.*, 526 F.2d 542 (3d Cir. 1975), see *Story Parchment Co. v. Paterson Parchment Paper Co.*, 282 U.S. 555, 562 (1931).

In the final analysis, UBC's petition essentially requests this Court to reconduct the accounting proceeding below.

On the issue of wilfulness, UBC continues to confuse the question of its state of mind with the issue of infringement. UBC observes in the petition, "Yet the DS2400 was never charged to *infringe* the Whang '023 or the Ragsdale '381 patents." (emphasis added). The Tenth Circuit clearly responded to this argument:

> But unlike the cases cited by UBC to support its contention, *the issue here is not infringement*, but rather willfulness, that is, UBC's state of mind. UBC's copying efforts would not have been actionable under the patent laws before 1970; UBC cannot be held liable

> for patent infringement before that time. Nevertheless, UBC's copying activities evidence that its conduct in manufacturing and selling infringing modems after 1970 was intentional and deliberate, in willful disregard of Milgo's rights, rather than merely accidental or negligent. UBC's copying activities belie its contention that it proceeded to manufacture and sell modems with a good-faith belief that there was no infringement." (A38-39, emphasis added)

The Tenth Circuit thoroughly reviewed the District Court's damage decision and concluded:

> "Viewing the entire circumstances of the case, the damage assessment appears equitable and conservative." (A36).

Milgo submits that such a damage award does not merit further review by this Court.

IV.

UBC Seeks Review of Moot Points.

From the foregoing argument, it must be noted that, at this point in the progress of the case, UBC's petition really seeks review of issues, which even if reviewed, would not change the result below. First, the validity of the Whang '023 patent is essentially a moot issue because UBC's petition does not contest validity of the other patents in suit which are infringed (Ragsdale '381 and Payne '023) by the same PM48A and DS4800 equipment held to infringe the Whang '023 patent (Finding 3, A131-132). Second, the alter ego issue is moot because UBC was held liable (1) as a direct infringer for actually selling infringing equipment and (2) for actively inducing infringement by Rixon II (Conclusions 13, A108). UBC's petition does not contest its liability as a direct infringer.

Thus, not only is UBC's petition legally without merit, but it seeks this Court's review of issues, which if decided, would not be dispositive. This Court should decline to review the matters addressed by UBC's petition.

Conclusion.

The Tenth Circuit Court of Appeals thoroughly reviewed the District Court's decision according to the correct principles of law and properly affirmed that decision. UBC's petition would have this Court become a fact-finding tribunal to review moot issues. UBC's petition should be denied.

Respectfully submitted,

JACKSON, JONES & PRICE LAW
CORPORATION,
HAROLD L. JACKSON,
STANLEY R. JONES,
FRANKLIN D. UBELL,
Attorneys for Respondent.

Of Counsel:

WEEKS, THOMAS, LYSAUGHT, BINGHAM
& MUSTAIN,
J. DONALD LYSAUGHT.